

**Improvements Can Be Made In Providing
Assistance to Taxpayers**

September 1999

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 20, 1999

MEMORANDUM FOR COMMISSIONER ROSSOTTI

FROM: Pamela J. Gardiner *Pamela J. Gardiner*
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improvements Can Be Made In
Providing Assistance to Taxpayers

This report presents the results of the subject audit that was conducted as part of our coverage of the implementation of key legislation and National Performance Review recommendations affecting the 1999 filing season. In summary, we found that the Internal Revenue Service's (IRS) Customer Service telephone assistors were not adequately prepared to answer current year tax planning questions and that answers to taxpayer electronic mail (e-mail) questions were not always complete, concise, or clear.

The IRS could further its goals of improving the treatment of taxpayers by ensuring prompt distribution of new tax law material to telephone assistors and by establishing a process that ensures all telephone assistors are adequately trained. In addition, the IRS needs to establish uniform program policies and procedures that will ensure quality responses to taxpayer e-mail questions.

IRS management agreed to the recommendations presented in the report. Management's comments have been incorporated into the report, where appropriate, and the full text of their comments is included as an appendix.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have any questions, or your staff may call Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations & Exempt Organizations Programs), at (202) 622-8500.

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Providing Assistance to Taxpayers**

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Executive Summary

The Internal Revenue Service's (IRS) toll-free automated telephone tax and refund information system (i.e., TeleTax) and Internet web site provide accurate information to taxpayers on key Taxpayer Relief Act of 1997 (Public Law 105-34) provisions. However, the Assistant Commissioner (Customer Service) needs to ensure that telephone assistors are adequately prepared to answer current year tax planning questions and that responses to taxpayer electronic mail (e-mail) questions are complete, concise, and clear.

This review was initiated as part of our coverage of the implementation of key legislation and National Performance Review recommendations affecting the 1999 filing season. The primary objective was to evaluate the effectiveness of the IRS' Customer Service Function to ensure employees were prepared to assist individual taxpayers with Taxpayer Relief Act of 1997 tax law questions. We assessed the IRS' TeleTax, Internet web site, toll-free telephone number, and e-mail activities.

Results

The Assistant Commissioner (Customer Service) needs to address the following issues.

Telephone assistors were not adequately prepared to answer current year tax planning questions.

Reference and training materials used by assistors to answer taxpayer questions were generally found to be inadequate. As a result, assistors incorrectly answered 34 percent of the Roth Individual Retirement Account (IRA) and 56 percent of the Credits for Higher Education test questions we asked them. The following data from the IRS' Office of Statistics of Income puts these results into perspective. For Tax Year 1996, over 10.3 million tax returns showed either a taxable IRA distribution or payments made to an IRA. These returns represent 8.6 percent of the total population of individual tax returns filed for that tax year. In addition, the Department of Education estimated that 10.3 million students attended college full-time in 1996.

Answers to taxpayer electronic mail questions were not always complete, concise, or clear.

Forty-four percent of assistor e-mail responses we reviewed either contained too much or not enough information, or did not adequately address the taxpayer's question. The IRS performed an analysis of taxpayer e-mail Customer Satisfaction Survey comments received between March and September 1998, and found that 21 percent of the taxpayer

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comments were not positive. To validate this analysis, we reviewed all the taxpayer survey comments submitted in October 1998, and found that 27 percent could be construed as negative.

Summary of Recommendations

The IRS could further its goals of improving the treatment of taxpayers by ensuring prompt distribution of new tax law material to telephone assistors and by establishing a process that ensures all telephone assistors are adequately trained. In addition, the IRS needs to establish uniform program policies and procedures that will ensure quality responses to taxpayer e-mail questions. Taxpayers with negative Customer Satisfaction Survey comments should be afforded the option of a follow-up contact by an assistor to correct any unresolved problems.

Management's Response: The IRS' Customer Service Function will implement a certification process to ensure assistors receive all the required training. This training will be tracked and monitored on the Administrative Corporate Education System. In addition, any new legislation affecting the Customer Service Function, not contained in the annual *Technical Probe and Response Guide*, will be provided to the telephone assistors as a Taxpayer Electronic Bulletin Board System alert until a new guide is available.

The IRS' Customer Service Function will also update the Internal Revenue Manual and the *Customer Service Manager's Handbook* to establish uniform program policies and procedures, which should ensure the quality of responses to taxpayer e-mail questions. Taxpayers completing the Customer Satisfaction Survey that have follow-up or new tax law questions will be directed to the Tax Law Questions web page or the IRS' toll-free telephone number.

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Objective and Scope

We reviewed activities designed to prepare Customer Service Function employees to answer Taxpayer Relief Act of 1997 questions, and we assessed the quality of information provided through the IRS' TeleTax, Internet web site, and toll-free number.

This audit was initiated as part of our coverage of the implementation of key legislation and National Performance Review recommendations affecting the 1999 filing season. The primary objective was to evaluate the effectiveness of the Internal Revenue Service's (IRS) Customer Service Function to ensure employees were prepared to assist individual taxpayers with Taxpayer Relief Act of 1997 (Public Law 105-34) tax law questions. Appendix I contains the detailed objective, scope, and methodology of our review. A listing of major contributors to the report is shown in Appendix II.

To assess the risk of not being prepared to assist taxpayers with Taxpayer Relief Act of 1997 questions, we:

- Reviewed the Customer Service Function's efforts to provide accurate and timely training and reference material to employees, and evaluated the quality review process to ensure accuracy of responses to taxpayer questions.
- Reviewed TeleTax scripts and IRS Internet web site topics to assess the accuracy of tax law information provided to taxpayers.
- Placed on-line telephone calls to toll-free sites and reviewed electronic mail (e-mail) questions and responses, via the Internet, to evaluate the impact of the preparatory efforts and assess tax law knowledge of assistants.

Our audit tests focused on 19 key provisions that the IRS should have been prepared to assist taxpayers with during the 1999 filing season. Appendix IV lists these provisions. We performed audit work from May through November 1998. Fieldwork was conducted in the IRS National Office; the Nashville (e-mail tests only), Oakland, Seattle, Denver, St. Louis, Buffalo, Atlanta and Baltimore call sites; and the Centralized Quality Review Site in Philadelphia. This review followed generally accepted *Government Auditing Standards*.

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Background

The Taxpayer Relief Act of 1997, the Balanced Budget Act of 1997 (Public Law 105-33), and the Taxpayer Browsing Protection Act of 1997 (Public Law 105-35) were the most extensive and complicated legislation the IRS has faced since the Tax Reform Act of 1986. The Taxpayer Relief Act of 1997 contains over 800 Internal Revenue Code amendments and nearly 300 new provisions, over half of which went into effect prior to the 1999 filing season.

The IRS needs to help taxpayers understand their tax obligations in order to reduce burden and decrease future enforcement costs.

Preparing for the 1999 filing season required the IRS to make appropriate changes to forms, publications, and computer programs. They also needed to educate taxpayers and preparers, and to evaluate the compliance impact to taxpayers and to the IRS. Vice President Gore's *Reinventing Service at the IRS* stressed education of taxpayers as a way to reduce taxpayer burden and decrease enforcement costs. To be prepared for tax law questions, the IRS needs to properly train and monitor assisting employees.

The IRS' Customer Service Function provides taxpayers remote access to information and assistance at several different contact points, as listed below.

Taxpayers have remote access to tax assistance through a TeleTax recording, Internet web site, or toll-free number.

- TeleTax recordings. TeleTax is a toll-free telephone service that provides pre-recorded tax information on nearly 150 topics and automated refund information. It received 9.5 million calls for tax information during Fiscal Year (FY) 1998.
- IRS Internet web site. The IRS Internet web site provides a large amount of IRS information as well as e-mail capabilities to answer specific taxpayer inquiries. During FY 1998, the IRS Internet web site logged more than 564 million hits (accesses), and the IRS answered more than 130,000 e-mail messages about tax laws and regulations.
- Toll-free telephone number (1-800-829-1040). There were 15 call site locations answering tax questions at

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this number. During FY 1998, 37.7 million callers spoke with IRS employees by telephone.

Results

Taxpayers were given incorrect and inadequate information relating to our sampled Taxpayer Relief Act of 1997 provisions.

The IRS' TeleTax recordings and Internet web site provided accurate information to taxpayers on the key provisions of the Taxpayer Relief Act of 1997. However, the IRS' Customer Service Function was not effectively prepared to accurately answer taxpayer questions on those significant tax provisions. The IRS and taxpayers alike are burdened when the Customer Service Function does not provide correct information to assist taxpayers in meeting their obligations. The Assistant Commissioner (Customer Service) needs to address the following issues:

- Telephone assistors were not adequately prepared to answer current year tax planning questions.
- Answers to taxpayer e-mail questions were not always complete, concise, or clear.

Telephone Assistors Were Not Adequately Prepared to Answer Current Year Tax Planning Questions

The IRS' Customer Service Function needs better preparation in answering questions on new tax legislation. To gauge their knowledge of the Taxpayer Relief Act of 1997, we developed some basic questions on the Roth Individual Retirement Account (IRA) and Credits for Higher Education tax provisions, and placed 196 and 194 telephone calls, respectively, to assistors throughout the country.

Answers to 34 percent of our Roth IRA test calls and 56 percent of our Credits for Higher Education test calls were incorrect.

Customer Service telephone assistors incorrectly answered 67 (34 percent) of the 196 Roth IRA questions and 108 (56 percent) of the 194 Credits for Higher Education questions. The following data from the IRS' Office of Statistics of Income puts these results into perspective. For Tax Year 1996, over 10.3 million tax returns showed

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Telephone assistors had not received adequate and timely Taxpayer Relief Act of 1997 training.

Assistors did not have a consistent or complete set of Taxpayer Relief Act of 1997 reference materials.

either a taxable IRA distribution or payments made to an IRA. These returns represent 8.6 percent of the total population of individual tax returns filed for that tax year. In addition, the Department of Education estimated that 10.3 million students attended college full-time in 1996.

We visited seven call sites in July and September 1998 to determine whether Customer Service telephone assistors who were scheduled to answer taxpayer questions had been trained on the Taxpayer Relief Act of 1997, and had access to reference materials pertaining to the key tax provisions. Not all telephone assistors were adequately trained on the key provisions of the Taxpayer Relief Act of 1997. Training records showed 56 (22 percent) of 258 assistors did not attend the mandated FY 1998 Continuing Professional Education (CPE).

Updated reference materials pertaining to key tax provisions were not readily available to telephone assistors. Customer Service telephone assistors used the *Technical Probe and Response Guide* to assist them in answering frequently asked tax questions. The Taxpayer Relief Act of 1997 was signed into law in August 1997; however, the *Guide* that covered these tax law changes was not updated until September 1998.

Between the annual issuance of the *Guide*, Customer Service could have used the Taxpayer Electronic Bulletin Board System (TEBBS) materials. For those Taxpayer Relief Act of 1997 provisions missing from the *Guide*, there was only one intermittent TEBBS on Education Tax Credits that had been issued as of June 1998.

To supplement the reference materials provided by the IRS' Customer Service Function, some assistors obtained their own reference guides. These included commercially available tax guides. For many assistors, these materials also included the *Overview of 1997 New Tax Laws* issued by the IRS. However, this document was intended to provide only a brief summary of the new tax provisions, and was not to be considered an adequate training or reference guide. Because assistors were not provided with the necessary tools, they were unable to accurately

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Although training on the Taxpayer Relief Act of 1997 was mandated, the delivery of the training was not monitored to assure this requirement was met.

respond to taxpayer inquiries on key provisions of the Taxpayer Relief Act of 1997.

The National Director, Telephone Operations Division, mandated that the Taxpayer Relief Act of 1997 be included in the FY 1998 CPE session, but did not monitor its delivery. Call sites used their discretion on who should be trained, how much time should be allowed for the training, and what method of delivery should be used to complete the training. The Administrative Corporate Education System (ACES) is a readily available tool that could be used to monitor and track this training on a national basis. While the National Office does encourage its use, only one out of the seven call sites we visited currently uses it regularly.

After this review began, the IRS' Customer Service Function made plans to be more involved in ensuring assistors have consistent and complete training and reference materials. As a result, the World Class Customer Service Training Team made several recommendations to improve this area. They recommended that Customer Service identify critical employee training needs, issue guidance for delivering the training, develop a certification process for completed training, and establish a task group to formulate and deliver a consistent set of reference materials to all Customer Service assistors.

Recommendations

To support the IRS' mission of improving customer service and reducing taxpayer burden, the Assistant Commissioner (Customer Service) should:

1. Require each call site to identify assistors who have not been sufficiently trained on the Taxpayer Relief Act of 1997, and require employees, without proof of training, to complete the 1998 CPE course, or some other type of comparable training.

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Management's Response: The 1998 and 1999 Customer Service CPEs included provisions from the Taxpayer Relief Act of 1997. However, there wasn't a mechanism in place to effectively identify those employees who did not complete the required training. The National Director, Workforce Performance and Analysis Division, will be assigned responsibility for implementing a certification process to ensure assistors receive the mandatory training. This also includes ensuring that each call site certifies that its employees have completed all required CPE training.

2. Coordinate with Corporate Education to mandate all telephone assistor training be captured on ACES and establish a monitoring system to ensure all assistors have been properly trained.

Management's Response: The National Director, Workforce Performance and Analysis Division, will be assigned responsibility for ensuring that ACES is used to track and monitor all Customer Service employee training. The Customer Service Education Department has already requested access to ACES for all local Customer Service functions. The training coordinator within each Customer Service site will be responsible for implementing and monitoring ACES usage.

3. Establish a process for the review of newly enacted legislation to gauge its impact on Customer Service telephone operations. Mandate that new TEBBS materials be issued for all legislation that falls between the yearly publishing of the *Technical Probe and Response Guide*.

Management's Response: Draft copies of the 1999 *Technical Probe and Response Guide* were made available to employees for review and use in developing training materials. It will also be used as a supplementary guide until the final version is available in October 1999. The National Director, Workforce Performance and Analysis Division, will be assigned responsibility for ensuring that any new legislation affecting an existing *Technical Probe and Response Guide* page, or requiring a new page prior to its annual publication, will be issued as a TEBBS alert. Legislative Coordinators will be

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responsible for identifying all legislation affecting Customer Service on a continuous basis.

Answers to Taxpayer Electronic Mail Questions Were Not Always Complete, Concise, or Clear

E-mail responses to taxpayer questions included answers that were incomplete, irrelevant, and unclear.

The Customer Service Function needs to improve its answers to taxpayer e-mail questions received through the IRS Internet web site. We reviewed a judgmental sample of 100 e-mail responses on the Roth IRA, Child Tax Credit, and Credits for Higher Education prepared by Customer Service assistors during August and September 1998. From our sample, 44 of the responses (44 percent) either contained too much or not enough information, or did not adequately address the taxpayer's question.

Some examples included responses that provided no information except a reference to a publication or back to the IRS Internet web site. Others included "canned" text about general topics instead of a direct response to the taxpayer's question. Although assistors are allowed to use their discretion when responding to taxpayer questions, the Customer Service Function encourages the practice of inserting "canned" answers into e-mail responses, and/or cutting and pasting from publications and other information on the IRS Internet web site. While the use of "canned" answers may ensure consistency and accuracy, taxpayer questions were not answered in the most complete, concise, and clear way possible.

During the same time period, the Centralized Quality Review Site staff performed similar reviews that identified the same problems. Information from these reviews was disseminated at both the national and site levels. Because these reviews were not conducted on-line, identified errors were not corrected prior to the IRS response e-mails going out. In addition, feedback was not provided directly to those assistors responsible for incorrect responses.

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Taxpayers who took the Customer Satisfaction Survey complained about not getting understandable answers to their questions.

While our sample included only questions about selected provisions from the Taxpayer Relief Act of 1997, these results closely correlated with feedback provided by taxpayers taking the e-mail Customer Satisfaction Survey. The IRS performed an analysis of taxpayer survey comments received between March and September 1998. They found that 21 percent of taxpayer comments were not positive. To validate this analysis, we reviewed an additional 261 survey comments from October 1998, and found that 70 comments (27 percent) could be construed as negative. The following are excerpts from those comments:

- *“There is nothing wrong with the e-mail. There IS a problem with getting the IRS to answer a simple question.”*
- *“The answer which I received had very little bearing on the question. I am very disappointed, but not surprised.”*
- *“I am a CPA [Certified Public Accountant] and still had difficulty understanding the response, so a little more plain language would be appreciated and probably understood by more people.”*
- *“Response to question was direct quote from tax publication that I had read. The response didn’t answer my question.”*
- *“I don’t feel like my question was even read, it’s almost like I got a canned response. I guess I’ll have to try again.”*
- *“The answer I received did not address my very detailed, specific question. I only received a general boilerplate response that was NOT helpful. My time, and that of the person who answered with a non-answer, was needlessly wasted. If this is how you intend to respond to taxpayer questions, then I suggest you stop this ‘service’.”*

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Currently, the IRS cannot respond to taxpayers completing the Customer Satisfaction Survey. The survey form does not have a place for taxpayers to leave their names or e-mail addresses. As a result, the IRS' Customer Service Function is not able to associate the negative feedback to the original e-mail question, nor is it able to re-contact taxpayers to find out the specific cause of their complaints. Without an effective process to allow the Customer Service Function to identify the root cause of the taxpayers' problems, little or no benefit will result from having taxpayers fill out this survey.

The IRS' Customer Service Function has not established formal guidelines or developed adequate training materials to help assistors when answering e-mail questions.

The IRS' Customer Service Function has not established formal guidelines or developed adequate training materials specifically for answering e-mails. On November 10, 1998, the Centralized Quality Review Site staff issued an informational memorandum in an effort to help assistors provide correct and complete responses to taxpayer questions. This document contained basic instructions on how to answer taxpayer e-mail questions and included specific examples of proper and improper responses. These instructions were issued to the regional quality analysts and the quality assurance coordinators at each e-mail site. According to the e-mail project management, these guidelines have not been fully implemented because of other priorities, and a lack of resources has driven what the program can handle. However, they have proposed a task group to develop some formal e-mail guidelines.

The very nature of e-mail allows assistors to carefully formulate answers to taxpayer inquiries, unlike the spontaneous responses needed for telephone or walk-in operations. A written communication also means taxpayers can scrutinize the answer to a greater extent. Because of this, it is imperative and expected that taxpayers are given quality answers that resolve their issues without further contact. As illustrated in the taxpayer comments above, taxpayers are significantly burdened when they receive incomplete or confusing information in response to their questions.

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Recommendations

To support the IRS' mission of improving customer service and reducing taxpayer burden, the Assistant Commissioner (Customer Service) should:

4. Provide basic instructions on how assistors are to answer taxpayer e-mail questions, as recommended by the Centralized Quality Review Site staff.

Management's Response: The National Director, Telephone Operations Division, ensured that the Centralized Quality Review Site recommendations were used as a basis for enhancing the Internal Revenue Manual (IRM). Staff from the Centralized Quality Review Site will monitor assistor responses for adherence to these procedures and information gathered through this process will be used to develop future revisions and updates to the IRM.

5. Mandate that local Customer Service e-mail group managers perform periodic, on-line quality reviews of assistor e-mail responses.

Management's Response: The National Director, Telephone Operations Division, ensured that a requirement for periodic on-line reviews of e-mail work was incorporated into the *Customer Service Manager's Handbook*. Manager adherence to the review requirement will be monitored through the program review process.

6. Coordinate with the Multimedia Production Division to add a section to the Customer Satisfaction Survey that would allow taxpayers (at their discretion) to provide their name, e-mail address and/or phone number on negative survey responses or comments for follow-up contact by an assistor.

Management's Response: The National Director, Telephone Operations Division, ensured a statement was added to the Customer Satisfaction Survey that directs people to submit follow-up or new tax law questions by

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e-mailing the Tax Law Questions web page or by calling the IRS' toll-free telephone number. The text of this statement is linked on the computer to allow taxpayers direct e-mail access to the Tax Law Questions web page.

Office of Audit Comment: Even though management's response does not directly answer the recommendation, it does adequately address the key issue of providing a vehicle to assist taxpayers that may still have a problem with the IRS' response to their initial e-mail question.

Conclusion

The Customer Service Function provides vital information for taxpayers to meet their tax obligations. Information was provided about Taxpayer Relief Act of 1997 topics; however, it did not always effectively assist taxpayers. Additionally, the effects of this erroneous information increased the burden to the taxpayers and the IRS. The Assistant Commissioner (Customer Service) should take immediate corrective actions to address these issues.

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Appendix I

Detailed Objective, Scope, and Methodology

Our objective was to determine if the Internal Revenue Service's (IRS) Customer Service Function ensured employees were prepared to assist individual taxpayers with Taxpayer Relief Act of 1997 (Public Law 105-34) tax law questions. To accomplish this objective, we conducted the following audit steps.

Pre-Filing Provisions

- A. Determined if accurate and timely Taxpayer Relief Act of 1997 training classes and materials were provided to telephone assistors.
 - 1. Interviewed National, Regional, and local site management about their current roles in coordinating the development of new course material and monitoring the availability and delivery of training. We also interviewed members of the World Class Customer Service Task Group about changes to the training process in Fiscal Year (FY) 1998.
 - 2. Interviewed Customer Service Training Institute management and the Associate Chief Counsel (Domestic) about the process for developing accurate training materials.
 - 3. Reviewed the FY 1998 Continuing Professional Education (CPE) (course 3545) for technical accuracy of our key pre-filing Taxpayer Relief Act of 1997 provisions.
 - 4. Reviewed training records for 258 telephone assistors answering Taxpayer Relief Act of 1997 questions at 7 call sites, and interviewed 42 of them about the sufficiency of their training.
- B. Determined if accurate and timely Taxpayer Relief Act of 1997 reference materials were provided to telephone assistors.
 - 1. Interviewed national and local management and regional analysts about their role in identifying and distributing reference materials.
 - 2. Interviewed the Associate Chief Counsel (Domestic) about the process for ensuring reference materials are accurate.
 - 3. Reviewed the *Overview of 1997 New Tax Laws*, Customer Service Guide for Assistors, and the Taxpayer Electronic Bulletin Board System (TEBBS) materials for technical accuracy of our key pre-filing Taxpayer Relief Act of 1997 provisions.

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4. Reviewed TEBBS alerts issued from June 1997 through July 1998 to determine if they were effectively used to communicate Taxpayer Relief Act of 1997 issues to telephone assistors.
 5. Reviewed desk reference materials used by 42 assistors at 7 call sites to determine if they were consistent and sufficient.
- C. Evaluated whether the Centralized Quality Review Site process was adequate to minimize the risk of assistors providing inaccurate answers to taxpayer questions.
1. Interviewed appropriate Quality Analysis section employees about the quality process, the sampling plan, and use of the feedback.
 2. Interviewed managers at seven call sites about how they use Centralized Quality Review Site information to improve their product.
- D. Determined whether telephone assistors were able to accurately answer questions about Roth Individual Retirement Accounts (IRAs) and Credits for Higher Education by placing a statistical sample of 196 calls about Roth IRAs and 194 calls about Credits for Higher Education.
- E. Researched in-house statistical data about taxpayers with IRAs and Department of Education data about college students to determine the number of taxpayers potentially affected by telephone assistors giving erroneous tax information about Roth IRAs and Credits for Higher Education.

Preparation for Filing Season 1999

- F. Determined if telephone assistors had received timely Taxpayer Relief Act of 1997 training and related reference materials would be available before the 1999 filing season.
1. Reviewed the course revision schedule to determine if the material was available timely.
 2. Evaluated training directives and guidelines issued by the National Office and plans for monitoring training delivery.
 3. Obtained and reviewed plans for revising and standardizing reference materials for the 1999 filing season.
 4. Reviewed course materials for Tax Law Phase I (course 3526), Tax Law Phase II (course 3566), Advanced Tax Law Training for Assistors Phase I (course 3578), and FY 1999 CPE (course 3545) for technical accuracy of the key Taxpayer Relief Act of 1997 provisions.

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- G. Determined if walk-in assistors had received timely Taxpayer Relief Act of 1997 training and related reference materials would be available before the 1999 filing season.
 - 1. Reviewed the course revision schedule to determine if the material was available timely.
 - 2. Evaluated training directives and guidelines issued by the National Office and plans for monitoring training delivery.
 - 3. Obtained and reviewed plans for revising and standardizing reference materials for the 1999 filing season.
 - 4. Determined whether walk-in is subject to a quality review of tax information.
- H. Determined if TeleTax had accurate Taxpayer Relief Act of 1997 information prior to the 1999 filing season.
 - 1. Interviewed appropriate Automated Telephone Systems section employees about the process for selecting, writing, reviewing, and recording TeleTax topics.
 - 2. Reviewed the key Taxpayer Relief Act of 1997 provisions available on TeleTax for technical accuracy.
- I. Assessed the completeness and ease of obtaining information about our selected provision on the IRS Internet web site. Reviewed the key Taxpayer Relief Act of 1997 provisions available on the IRS Internet web site for technical accuracy.
- J. Determined if electronic mail (e-mail) assistors answered taxpayer questions about the Taxpayer Relief Act of 1997.
 - 1. Reviewed a judgmental sample of 100 taxpayer questions about Roth IRAs, Credits for Higher Education, and Child Tax Credit answered during August and September 1998 to determine if assistors responded completely, clearly, and concisely.
 - 2. Obtained an IRS analysis of Customer Satisfaction Surveys for March 12, 1998, through September 30, 1998, and a printout of the Customer Comments section from the Customer Satisfaction Surveys for October 1998 to compare taxpayer feedback to our sample results.
 - 3. Interviewed e-mail site managers, assistors and appropriate National Office analysts about e-mail specific training and guidance.
 - 4. Evaluated the Centralized Quality Review Site process for minimizing the risk of assistors providing erroneous e-mail responses.

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Appendix II

Major Contributors to This Report

Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations & Exempt Organizations Programs)

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Dan Peterson, Auditor

Charlene Riley, Auditor

Joanola Rose, Senior Auditor

Darryl Roth, Auditor

Joseph Smith, Auditor

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Appendix III

Report Distribution List

Chief Operations Officer OP
Assistant Commissioner (Customer Service) OP:C
Assistant Commissioner (Program Evaluation and Risk Analysis) M:OP
National Director, Communications Division CL:C
National Director, Multimedia Production OP:FS:M
National Director, Telephone Operations Division OP:C:T
National Director, Workforce Performance and Analysis Division OP:C:W
National Director for Legislative Affairs CL:LA
Office of Management Controls M:CFO:A:M
Audit Liaison, Assistant Commissioner (Customer Service) OP:C

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Appendix IV

Key Taxpayer Relief Act of 1997 Provisions

Key Criteria:	Pre-Filing	Large Dollar	Large TP Impact	Sensitive	Complex
INDIVIDUALS					
Child Tax Credit	YES	YES	YES	YES	YES
Earned Income Credit Changes To Calculations of Adjusted Gross Income (AGI) & Earned Income	NO	NO	YES	YES	YES
Credits for Higher Education Tuition	YES	YES	YES	YES	YES
Education Investment Account & Education Individual Retirement Account (IRA)	NO	YES	YES	YES	NO
Interest on Education Loan is Deductible ("above line" - \$1,000 Max)	NO	NO	YES	YES	NO
Roth IRA	YES	YES	YES	YES	YES
Increased AGI Limits for Making Deductible IRA Contributions/Active Participant Status Not Attributed to Spouse	YES	YES	YES	YES	YES
Education Expense Withdrawals Without Early Withdrawal Tax	YES	YES	YES	YES	YES
First Time Homebuyers Withdrawals Without Early Withdrawal Tax	YES	YES	YES	YES	YES
Farmers Income Averaging	NO	NO	NO	YES	YES
Filing Threshold for Individuals Underpaying Estimated Tax Increased From \$500 to \$1000	NO	NO	YES	YES	NO
Estimated Tax Safe Harbor for Individuals Modified	YES	YES	YES	YES	NO
Payment of Tax by Commercially Acceptable Means (Credit Card)	NO	NO	YES	YES	YES

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Key Criteria:	Pre-Filing	Large Dollar	Large TP Impact	Sensitive	Complex
ESTATE AND GIFT					
Unified Estate and Gift Tax Credit Increased & Adjusted for Inflation	YES	YES	NO	YES	NO
A Portion of a Qualified Family Owned Business Can Now be Excluded From Decedent's Estate	NO	NO	NO	YES	YES
Interest Rate is Reduced on Estate Tax Installment Payments	NO	NO	NO	YES	YES
BUSINESS, INDIVIDUALS, AND PARTNERSHIPS					
Net Operating Loss – Carryback and Carryforward Periods Modified	NO	YES	YES	YES	NO
Welfare-To-Work Credit	YES	NO	NO	YES	YES
Simplified Flow-Through Reporting For Electing Large Partnerships	NO	NO	YES	NO	YES
Total: 19 Key Provisions					

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Appendix V

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF TREASURY
INSPECTOR GENERAL
RECEIVED

August 12, 1999

1999 AUG 13 P 12:35

FOR TAX ADMINISTRATION

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Charles O. Rossotti *con*
Commissioner of Internal Revenue

SUBJECT: Draft Treasury Inspector General for Tax Administration (TIGTA)
Audit Report -- Improvements Can Be Made in Providing
Assistance to Taxpayers

Before I address the specific recommendations, let me highlight some recent improvements that the Internal Revenue Service (IRS) has made to better assist taxpayers. Our toll-free telephone lines are now open 24 hours-a-day/7 days a week. This past filing season, more than 250 of our offices across the nation offered Saturday service. We are making it easier for taxpayers to get forms and information, whether it is by mail, toll-free telephone, the IRS website (www.irs.ustreas.gov), fax machine, or CD-ROMs. We have a vigorous electronic tax administration strategy and program that will help us get the paper out of filing, payments, and refunds. We also hope to be able to add even more services in the future as we bring new technology on-line, and just as importantly, are able to measure taxpayer satisfaction with our services.

To successfully implement the Restructuring and Reform Act of 1998 (RRA 98) law and revised procedures, a massive training effort is underway. This is essential for delivering on the mandates that Congress gave us and the service that the public expects. Additionally, the IRS has numerous forms and publications that have been revised this year. This includes: 153 forms have been revised; 39 publications have been revised; 30 items from Chief Counsel were published (14 regulations, 5 revenue procedures, and 11 notices/announcements); 66 guidance memoranda have been issued; and 1,300 implementing actions have been identified.

In January, the IRS issued new versions of its form and publication for innocent spouse relief, each revised to incorporate the changes made by RRA 98. This is the latest of several steps we have taken in our ongoing effort to help innocent spouses. With the publication in March 1999 of revised Form 656 and with the recently announced financial hardship regulations, the IRS is also fundamentally changing the Offer in Compromise program to make it easier for taxpayers to apply for help and allow the IRS to be more flexible when considering taxpayer offers to settle tax bills.

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The following is our response to the recommendations contained in the above referenced report. If you have any questions, please contact me or a member of your staff may contact Marilyn Davidson, Audit Coordinator for Customer Service, at (202) 622-7549.

IDENTITY OF RECOMMENDATION #1

To support the IRS' mission of improving customer service and reducing taxpayer burden, the Assistant Commissioner (Customer Service) should:

Require each call site to identify assistors who have not been sufficiently trained on the Taxpayer Relief Act of 1997, and require employees without proof of training to complete the 1998 Continuing Professional Education (CPE) course, or some other comparable training.

ASSESSMENT OF CAUSES

The failure to deliver appropriate training was a result of workload priorities and lack of funding.

CORRECTIVE ACTIONS

The World Class Customer Service Task Force (WCCSTF) was created to address Customer Service's failure to deliver appropriate training. As a result, the WCCSTF identified critical training needed by employees in Fiscal Year (FY) 98, which included training on the Taxpayer Relief Act of 1997. A memorandum was issued which provided guidance to the field for delivery of this training. CPE held during FY99 also included provisions from the Taxpayer Relief Act of 1997 and was mandated for all assistors. (FY99 CPE was held in the field during first and second quarter FY99.) However, during both of these CPEs, there was no mechanism in place (other than Automated Computerized Examination System (ACES) which was inconsistently utilized) to identify those employees who did not complete the required training.

During the upcoming CPE for FY2000, which includes coverage of provisions from the RRA 98, we are utilizing a certification process to identify such assistors. Each employee will be required to attend sessions mandated for all Customer Service employees as well as their specific functional training track. Each site will be required to certify that employees in their site have completed their required CPE training.

CORRECTIVE ACTION MONITORING PLAN

National Office will conduct a formal review of the certification process during second quarter FY2000.

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IMPLEMENTATION DATE
March 31, 2000

RESPONSIBLE OFFICIAL
National Director, Workforce Performance and Analysis Division

IDENTITY OF RECOMMENDATION #2
Coordinate with Corporate Education to mandate all telephone assistor training be captured on ACES and establish a monitoring system to ensure all assistors have been properly trained.

ASSESSMENT OF CAUSES
At the time of the audit, the use of ACES was encouraged by National Office, yet it was inconsistently utilized by the call sites. In addition, there were no established procedures that outlined the roles of Corporate Education and Customer Service.

CORRECTIVE ACTIONS
In April 1999, the Director, Customer Service Education Department requested the Education Branch Chiefs assist the local Customer Service functions in gaining access to the ACES system and providing an overview/tutorial on using ACES. A memorandum is being drafted from the National Director, Workforce Performance and Analysis Division, to mandate the utilization of ACES to track and monitor all Customer Service employee training. The training coordinator within each Customer Service site will be required to implement and monitor the usage of ACES.

CORRECTIVE ACTION MONITORING PLAN
The Customer Service Education and Review Branch will assist Corporate Education in monitoring usage of ACES on a quarterly basis and report on deficiencies to the appropriate sites.

IMPLEMENTATION DATE
December 31, 1999

RESPONSIBLE OFFICIAL
National Director, Workforce Performance and Analysis Division

IDENTITY OF RECOMMENDATION #3
Establish a process for the review of newly enacted legislation to gauge its impact on Customer Service telephone operations. Mandate that new Taxpayer Electronic Bulletin Board System (TEBBS) materials be issued for all legislation that falls between the yearly publishing of the Technical Probe and Response Guide.

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ASSESSMENT OF CAUSES

Updated reference materials pertaining to key tax provisions were not readily available to telephone assistors. The Customer Service Technical Probe and Response Guide is used to answer frequently asked questions; however, references to laws enacted in August were not included in the Guide until it was updated in September. Currently, a TEBBS alert is not usually issued unless new legislation affects an existing guide page because a provision has an effective date in the ending tax year.

CORRECTIVE ACTIONS

The 1999 Customer Service Guide is being reviewed and revised earlier in order to include any tax law changes/corrections that have occurred since publication. The 1999 guide will include technical corrections on legislation effective in 1998 and legislation effective beginning January 1, 1999. The changes include new, revised, or expanded pages on the Roth and Education Individual Retirement Accounts, Innocent Spouse, Selling Your Home, Education Credits, and new pages on Disclosure, Injured Spouse, and Taxpayer Advocate cases. Draft copies of the revised guide were made available in June 1999 for review and use in developing training materials. The draft guide will serve as a supplementary guide. The revised 1999 guide will go to print in August 1999 and be available for CPE on October 1, 1999. Any legislation that occurs after August 1, 1999, that impacts an existing page or requires a new page (because of immediate or retroactive effective date) in the guide will be provided to Customer Service Representatives as a TEBBS alert.

CORRECTIVE ACTION MONITORING PLAN

Legislative Coordinators will be responsible for identifying legislative impact on Customer Service on an ongoing basis.

IMPLEMENTATION DATE

Proposed - August 1999

RESPONSIBLE OFFICIAL

National Director, Workforce Performance and Analysis Division

IDENTITY OF RECOMMENDATION #4

Provide basic instructions on how assistors are to answer taxpayer e-mail questions, as recommended by the Centralized Quality Review Site (CQRS) staff.

ASSESSMENT OF CAUSES

The CQRS staff issued an informational memorandum in an effort to help assistors provide correct and complete responses to taxpayer questions. However, during the audit, the guidelines had not been fully implemented because of other priorities. In addition, a lack of resources had driven what the program can handle.

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CORRECTIVE ACTIONS

The CQRS recommendations were used as the basis for Internal Revenue Manual (IRM) 21.3.2, Taxpayer Contacts Resulting From Internet E-mail. A final draft of the IRM is currently being reviewed (and utilized) by the field.

CORRECTIVE ACTION MONITORING PLAN

The CQRS staff will monitor the accuracy and comprehensiveness of assistor responses based on the procedures contained in IRM 21.3.2. Information gathered through that process will be used in developing future revisions and updates to the IRM.

IMPLEMENTATION DATE

The final document is scheduled for shipment to the field in October 1999.

RESPONSIBLE OFFICIAL

National Director, Telephone Operations Division

IDENTITY OF RECOMMENDATION #5

Mandate that local Customer Service e-mail group managers perform periodic, on-line quality reviews of assistor e-mail responses.

ASSESSMENT OF CAUSES

At the time of the audit, the CQRS staff was conducting reviews that identified problems similar to those identified by TIGTA. However, because the reviews were not conducted on-line, identified errors were not corrected prior to the e-mails going out. In addition, feedback was not provided directly to those assistants responsible for incorrect responses.

CORRECTIVE ACTIONS

We have included a requirement for periodic on-line reviews of e-mail work in the Customer Service Manager's Handbook, IRM 114.1.7.

CORRECTIVE ACTION MONITORING PLAN

We will monitor managers' adherence to the review requirement contained in IRM 114.1.7 through our program review process

IMPLEMENTATION DATE

Completed - May 1999

RESPONSIBLE OFFICIAL

National Director, Telephone Operations Division

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IDENTITY OF RECOMMENDATION #6

Coordinate with the Multimedia Production Division to add a section to the Customer Satisfaction Survey that would allow taxpayers (at their discretion) to provide their name, e-mail address and/or phone number on negative survey responses or comments for followup contact by an assistor.

ASSESSMENT OF CAUSES

The Customer Service Satisfaction Survey form does not have a place for taxpayers to leave their name or e-mail address.

CORRECTIVE ACTIONS

The Customer Satisfaction Survey was designed to allow taxpayers to make anonymous comments about the service. Therefore, we added a statement similar to the following on the Customer Satisfaction Survey page:

"This survey is used to collect information and suggestions to improve our service to you. Please do not submit questions or requests for assistance here. If you have a followup or new tax law questions, you should submit it on our Tax Law Questions page* or if you prefer to speak to someone, you may call our toll-free number at 1-800-829-1040. Remember if you have an account or refund question, you must call our toll-free number."

*This will be a hyperlink so the taxpayer can easily access the page by clicking the underlined text.

CORRECTIVE ACTION MONITORING PLAN

Not Applicable

IMPLEMENTATION DATE

Completed - July 1999

RESPONSIBLE OFFICIAL

National Director, Telephone Operations Division